

THE STATE TRADING CORPORATION OF INDIA LTD., NEW DELHI
CORPORATE ACCOUNTS DIVISION

No. STC/CO/F&A/CA/01001/2020

Date: 12.04.2020

CIRCULAR

Applicability of Ind AS 116 “Leases” w.e.f 01.04.2019

Since, the introduction of Ind AS from 01.04.2017, certain Ind AS's have been made applicable w.e.f later periods. Accordingly Ind AS 116 “Leases” has been introduced from 01.04.2019 on the basis of which lease liability (Interest expense and Rental expense) is to be accounted for in the books for the period ending 31.03.2020.

As per Ind AS 116 following points are to be incorporated (as a lessee).
(Existing accounting to be followed as a lessor)

1. Any asset taken on lease will be recognized in the books in two parts:-
 - a. Initial Recognition:-
 - (i) Leasehold Land, Building and other assets shown in the books as on 31.03.2019 are to be brought forward at their closing value and are to be depreciated w.r.t period of lease wherever applicable. If no period of lease is available, depreciation rates followed earlier may be followed in consultation with the Auditor.
 - (ii) Right to use of Asset:- All office places taken on rent are to be accounted for both as an asset and liability (lease) as on 31.03.2019
 - b. Subsequent Recognition:- Any lease rent/office rent paid/payable during the accounting period is to be accounted in two components i.e. Depreciation and Interest Expenses (Amortization).
2. If lease period/tenancy period is expiring on or before 31.03.2020 or the period of lease is less than 12 months then the above is not mandatory to be accounted for and the current accounting can be continued.
3. For ease of calculation, refer excel sheet enclosed herewith (annexure-XXXII to the accounts) for calculation of lease liability and accounting entry thereon. For simplicity following points are clarified in the annexure:-
 - I. Date:- Month wise from start of lease period till the end of lease period (period mentioned in rent agreement)
 - II. Monthly Payments:- Rent paid/payable per month.

- III. Discounted Rate:- Weighted Average Cost of capital per month. (to be provided by Banking division)
 - IV. No. of months for discounting:- Will start from inception of the lease period till the period of rent agreement (on monthly basis).
 - V. Discounted Value/present value:- Value at present (Calculated automatically).
 - VI. Opening balance of lease liability:- sum of all present value (on monthly basis) for entire lease period (period of tenancy).
 - VII. Interest on lease liability:- Interest component of the lease liability (office rent) for the period (on monthly basis) (calculated automatically)
 - VIII. Lease repayment installment:- Equals to Monthly payments (calculated automatically)
 - IX. Closing Balance of lease liability:- Equals to opening balance less lease repayment installment and add interest on lease liability (Calculated automatically).
 - X. Opening value of right to use asset:- sum of Discounted value (month wise) at S.No. V (calculated automatically).
 - XI. Depreciation on Asset:- Total present value of asset calculated at s.no. V above divided by period of lease (tenancy period) (on monthly basis) (straight line method) (calculated automatically).
 - XII. Closing value of asset:- Opening value of right to use asset less Depreciation on asset (calculated on monthly basis).
4. Accounting Entry:- Refer the excel sheet for Initial recognition of asset and liability and subsequent recognition of depreciation and interest expense (amortization) (on monthly basis). Calculated Automatically.
 5. The values currently incorporated in the excel sheet are for illustration purposes, therefore concerned branches/GAD at C.O are requested to put the respective values for S.NO. I to IV as above.

All concerned branches/GAD at C.O are requested to comply with the above and incorporate the same in the books on or before 31.03.2020. For any clarification and doubts on the calculation, put up your query and provisional statement/annexure via email at corporateaccs@stclimited.co.in.

sd/-
(D.Jayant)
DGM-F

ALL CONCERNED